

Budget Priorities for a Working Washington

A commitment to education, rebuilding our economy

Washington's economy continues to recover from the worst recession in modern times. But we are bouncing back at a far slower pace than we did from previous recessions. Too many businesses are still struggling and too many people remain out of work. While there are encouraging signs, consumer confidence still lags well below pre-recession levels and state revenue growth remains sluggish.

Governor Inslee is committed to getting Washington back on its feet and back to work.

A key part of his strategy is a budget focused on rebuilding the state's economy and meeting our education obligations while preserving essential services.

This document outlines the Governor's budget priorities.

When Governor Inslee took office in January, the state was facing a projected budget shortfall — the difference between the cost of all current obligations and anticipated revenue — totaling nearly \$1 billion for the next biennium (2013–15). Over the past two weeks, that projection has grown to more than \$1.2 billion. On top of that basic shortfall, the state will need to spend at least \$1 billion over the next two years to begin meeting its basic education responsibilities and complying with the state Supreme Court's McCleary decision.

Governor Inslee believes we must take a bold and balanced approach in addressing our \$2 billion-plus budget challenge. First and foremost, the Inslee administration is committed to building and sustaining a thriving economy that spurs job growth in every industry sector and every corner of the state. That is why his top budget priority is his "Working Washington Agenda," which makes important investments in education — the foundation of a strong economy — and strategic investments to create jobs.

A key part of Governor Inslee's Working Washington strategy is a budget focused on rebuilding the state's economy, meeting our education obligations and preserving essential services.

The Governor's budget priorities hold the line on most state agency spending, adding enhancements only to protect the most vulnerable, ensure public safety and address shortfalls in a few critical areas. He is stepping up the state's efforts on Lean management so state agencies provide services more effectively and efficiently, within available resources.

The Governor is not proposing any new taxes, and instead proposes closing certain tax breaks and extending tax rates already in place. His plan would leave healthy reserves totaling more than \$500 million.

Meeting obligations with targeted investments, accountability

The state Supreme Court has made a clear statement: Washington is not living up to its constitutional obligation to adequately fund basic education. Meeting those obligations will require significant new funding over the next six years.

Governor Inslee is proposing a \$1.2 billion "down payment" in the 2013–15 biennium to begin meeting the state's basic education responsibilities. Besides providing more support for basic school operations, his plan includes funding for full-day kindergarten expansion and

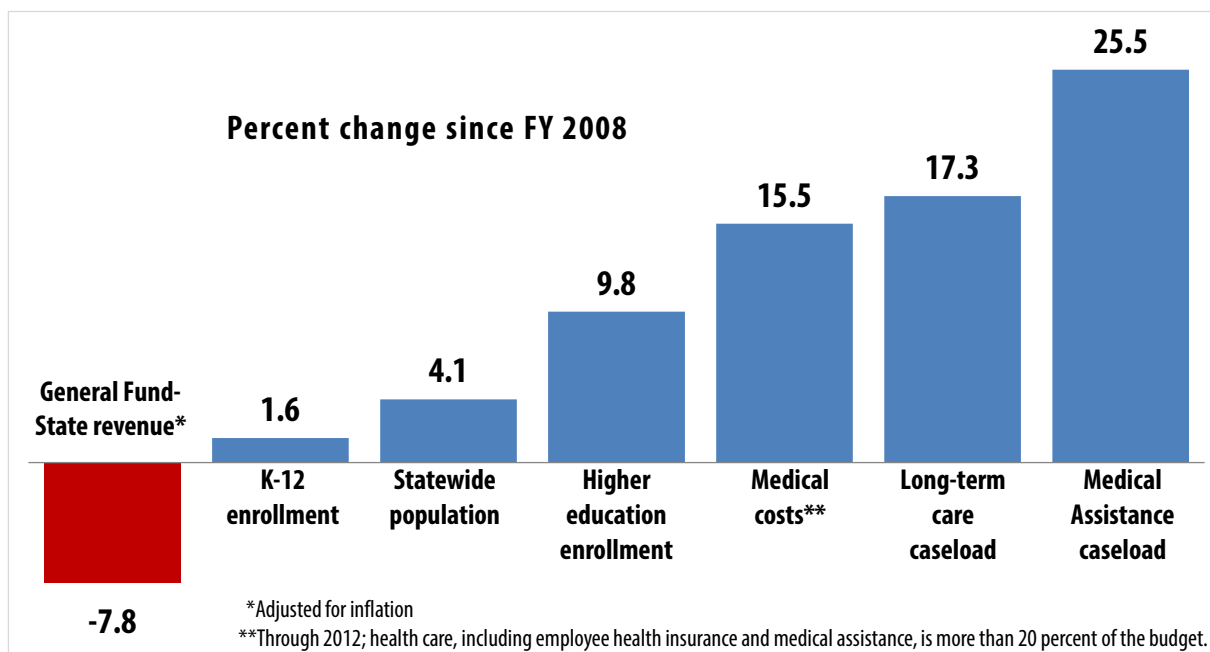
reducing kindergarten and first grade class sizes, early reading intervention, dropout prevention programs and more professional development opportunities for educators. Outside of the definition of basic education, the Governor also proposes adding \$35 million to expand preschool opportunities.

The Governor's Working Washington Agenda includes a broad range of proposals to improve the state's business climate, educate a 21st century workforce, advance Washington's leadership in aerospace and promote clean energy development. To achieve these, the Governor's proposal promotes tax relief for new businesses in high-growth sectors and additional

funding for STEM (science, technology, engineering and math) and aerospace training opportunities in our secondary and higher education systems.

The Governor proposes investments in a few critical areas, such as adding child and adult protective services caseworkers. His plan funds collective bargaining agreements that don't include any general wage increases. The 3 percent pay cuts most state employees took in the current biennium are restored. And he believes the state must step up to address critical funding shortfalls, including those in our parks system and the College Bound Scholarship program.

Demand for Services Outpaces General Fund-State Revenue



Office of Financial Management, March 2013

Finding savings after years of cutting

According to the latest forecast, state revenue collections are just now returning to fiscal year 2008 levels. But by next year, our budget will be serving a state population that will have grown by 350,000 since 2008.

Demand for state services has also continued to mount. For example, compared to 2008, we have today 235,000 more people on medical assistance, 16,400 more K-12 students and nearly 8,800 more people receiving state-supported, long-term care services.

While the number of people state government serves continued to rise during the Great Recession, the state cut existing and projected spending by more than \$11 billion. Since 2008, the state:

- » Made deep cuts to our social safety net, including the Basic Health Plan and Disability Lifeline program.
- » Sharply reduced General Fund support for higher education, increasing the burden on students and their families. Tuition has risen nearly 60 percent at our baccalaureate institutions and more than 30 percent at our community and technical colleges.
- » Shrank the general government workforce by more than 12 percent, to fewer than 60,000 employees, and cut employee take-home pay.

Given the reductions that have already taken place — and the fact that roughly two-thirds of the state General Fund budget is protected by constitutional, contractual and federal requirements — there are few places left to turn to for big savings.

Under Governor Inslee's budget priorities, the state will save \$321 million by again suspending the teacher cost-of-living raises required under Initiative 732. And the Governor is fully embracing Medicaid expansion, which will save the state nearly \$300 million as the federal government picks up the full cost of covering an estimated 255,000 adults newly eligible for health care.

A sharp focus on better management of state government

Governor Inslee has honed a clear vision of how his team will manage state government transparently, efficiently and effectively on behalf of Washingtonians. Whether the work is to protect children, license caregivers, issue licenses or build roads — all core responsibilities of state government — the Governor holds his Cabinet and agency leadership responsible for achieving results that the taxpayers deserve and to which he is committed.

This includes their collaborative, dedicated efforts to develop and maintain a culture that makes continuous improvement a habitual behavior that extends through the employee front lines to management to leadership.

The Governor proposes to build on successes achieved through such tools as Washington's Government Management Accountability and Performance program. Its successes include quicker responses to allegations of child abuse and shorter wait times for a driver's license. Another tool is

Lean, a continuous improvement strategy developed in private industry and already test-driven in our state with the help of loaned private-sector executives.

These and other strategies will form the backbone of a new initiative to boost the quality and efficiency of state programs, especially in the priority areas of the economy, education, health care and government reform. As a result, state government will operate more openly to the public with more efficiency and at greater value.

A Lean fellowship program will be developed through the loaning of staff members from agencies for up to a year to support a select group of early adopter agencies. These practitioners will receive training from Lean experts so they support enterprise-wide improvement. Each practitioner will then be expected to offer process-improvement workshops with targets for boosting quality, shrinking delays and saving money. Practitioners will return to their agencies and lead efforts there to sustain a continuous improvement process.